

37 Am. Jur. 2d Fraud and Deceit § 132

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Fraud and Deceit

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IV. False Representations

F. Intent to Deceive, or to Induce Reliance; Knowledge of Falsity

3. Particular Kinds of Representations, Transactions, Relief, etc.

c. Transactions

§ 132. Sales—Of corporate securities

[Topic Summary](#) | [Correlation Table](#) | [References](#)

West's Key Number Digest

West's Key Number Digest, [Fraud](#)  13(3)

Forms

[Am. Jur. Pleading and Practice Forms, Fraud and Deceit §§ 132 to 146](#) (Complaints, petitions, or declarations—Fraud in security transactions)

It is well settled that the purchaser's right to rescind a contract of subscription to,¹ or purchase of, corporate securities on the ground of fraud does not depend necessarily upon a showing of actual knowledge of the falsity thereof by the party making the misrepresentations.² On the other hand, representations in the form of opinion or promises concerning future returns on the stock can amount to actionable fraud if the plaintiff proves that the representations were known to be false by the salesperson making them when they were made, were made to deceive the purchaser and to induce him or her to purchase the stock, and were relied upon by the purchaser.³

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Footnotes

- 1 [Maine v. Midland Inv. Co.](#), 132 Iowa 272, 109 N.W. 801 (1906); [Haebler v. Crawford](#), 258 N.Y. 130, 179 N.E. 319 (1932), reargument denied, remittitur amended on other grounds, 258 N.Y. 607, 180 N.E. 353 (1932).
- 2 [King v. Shawver](#), 30 S.W.2d 930 (Tex. Civ. App. Fort Worth 1930) (suit to recover money paid for worthless bonds); [Trust Co. of Norfolk v. Fletcher](#), 152 Va. 868, 148 S.E. 785, 73 A.L.R. 1111 (1929).
- 3 [Brooks v. Parr](#), 507 S.W.2d 818 (Tex. Civ. App. Amarillo 1974).
- As to securities fraud, see [Am. Jur. 2d, Securities Regulation—Federal §§ 277, 397 to 413, 1194 to 1200, 1386 to 1484](#); [Am. Jur. 2d, Securities Regulation—State §§ 160 to 164, 196](#).

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